



STATE BOARD OF EQUALIZATION

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No. 84/51

June 5, 1984

TO COUNTY ASSESSORS:

VALUATION OF SUBDIVISION LOTS

We have been asked to clarify the proper procedure for assessing newly created subdivision lots prior to sale and the method for handling the street, utility, and land improvements added during the subdivision development stage.

The basic principles for handling these valuation problems are expressed in the Board's Assessment Practices Survey on new construction published September, 1982. The keys to the proper valuation are (1) the unit that is being valued prior to sale of the lots and (2) the date the streets and related improvements are actually accepted by the city or county and become the responsibility of the government entity.

When a new subdivision map is filed and new lot parcels are created, there are no grounds for reappraisal. The base-year value placed upon the lots should be an allocated portion of the prior base-year value of the acreage involved. It is the Board's position that value should be allocated to the portion of the property designated as streets and right-of-ways as well as to the lots and that the streets be separately parcelized and assessed. Allocation may be done in several ways, but in those instances where the lots are relatively equal in utility, a square-foot basis is preferred.

When a subdivision map is filed, the map usually contains a certificate of acceptance from the government entity. A sample of a typical statement follows:

"CITY CLERK'S CERTIFICATE

I, _____, City Clerk of the City Council of the City of _____ County, California, do hereby certify that this final subdivision map was presented to the City Council of the City of _____, that said Council did by its resolution _____ adopted on the _____ day of _____, 19____, approve said final subdivision map and accept on behalf of the people, all offers of dedication as shown in the OWNER'S CERTIFICATE above.

IN WITNESS WHEREOF, I have herewith set my hand this _____ day of _____, 19____."

Despite the ambiguous wording, we have been informed by city and county officials that this statement does not constitute an official acceptance of the land, i.e., the right-of-way, by the government entity. It is only an

June 5, 1984

acceptance of the offer of dedication and the government entity does not incur any liability at this point. Official acceptance occurs, almost invariably, after the improvements, i.e., streets, gutters, etc., are completed by the contractor. At this time, another resolution is filed indicating the acceptance of both the right-of-way and improvements in the city/county road system. A sample of this resolution follows:

"RESOLUTION ACCEPTING STREETS AND OTHER IMPROVEMENTS
_____(city)____ SUBDIVISION

WHEREAS, the City Council having been notified by the City Engineer of the completion of all improvements in the _____ Subdivision which were required by this Council in conjunction with the filing of the subdivision map;

IT IS HEREBY RESOLVED THAT THE IMPROVEMENTS in the Subdivision have been completed and they are accepted in accordance with said requirements;

IT IS FURTHER RESOLVED, that the public roads and streets set forth within said subdivision final map having been heretofore dedicated to public use by the filing of the map in the office of the County Recorder, and the improvements therein, thereon, and thereunder having been completed, be and the same are accepted together with said improvements and declared to be city streets of the City of _____.

PASSED AND ADOPTED this _____ day of _____ by
the following vote:"

This is the key document that establishes the date the street area becomes exempt from taxation. Because of the sequence of events, the street improvements as well as all lot improvements remain taxable to the developer until the second resolution is filed.

The next question is how the street improvements are assessed. It is the Board's position that the appraisal unit is the entire subdivision acreage until the lots and/or right-of-ways are actually transferred. Thus, the value of all improvements within the subdivision should be allocated over the entire subdivision, including both the lot and street parcels. Again, there are several possible methods of allocation, but in most instances, a square-foot allocation is preferred.

In summation, the value of any new parcel created in a subdivision prior to transfer (either a lot or a right-of-way parcel) would be composed of the allocated portion of the base-year land value of the acreage prior to subdivision and the allocated portion of the value of all improvements made within the subdivision.

One question remains to be resolved, i.e., what value is removed from the roll when the street right-of-way and improvements are accepted by the city or

June 5, 1984

county? It is the Board's position that only the value of land and improvement allocated to the street parcel should be removed. The value of the street improvements previously allocated to the lots should remain on the roll even though the street improvements are actually located on the street parcel.

An example of the subdivision assessment procedure follows: A 10-acre parcel, scheduled for subdivision, has a 1981 base-year value of \$80,000. In September, 1982, a subdivision map is filed, dividing the parcel into 32 1/4-acre lots with two acres designated as a street right-of-way. Following the creation of separate parcels for the lots and streets, the base-year value would be allocated as follows (using a square-foot allocation method).

Base-year value per square foot = \$.18365
Lot size = 10,890
Allocated '81 base-year value per lot = \$2,000
Allocated '81 base-year value of street parcel = \$16,000

In April, 1983, subdivision development is started and all street, utility, and lot improvements are completed on September 15, 1983. The value of the new construction is \$120,000. This value is allocated in the same manner as the land value, i.e., \$3,000 per lot and \$24,000 to the street parcel.

At this point, the assessments of the various parcels are a summation of the original land value allocation and the allocation of the new construction.

- (1) Each lot = \$2,000 (base year 1981)
\$3,000 (base year 1984)
- (2) The street parcel = \$16,000 (base year 1981)
\$24,000 (base year 1984)

All of these parcels are still being assessed to the developer. On October 1, 1983, the streets (land and improvements) are accepted by the city. At this time, the street parcel assessment is removed from the roll. The lots retain the value established by the summation in (1) above.

We hope this will clarify the subdivision valuation procedure. If you have further questions, call our technical services unit at (916) 445-4982.

Sincerely,



Verne Walton, Chief
Assessment Standards Division

VW:wpc
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